



University of
NORTH ALABAMA
FOUNDATION

BUDGET, FINANCE & AUDIT COMMITTEE

UNA FOUNDATION

Friday, March 13, 2020; 10:00 – 11:30 a.m.

The Guillot University Center – Banquet Hall D

AGENDA

- I. WelcomeCathy Miller '83, *Vice Chair*
- II. Review of Prior Meeting Minutes.....Cathy Miller
- III. Review of Audited Financial Statements.....Jeremy Blackburn
- IV. Review of Current Financial Statements.....Gwen Patrick '83
- V. Review of Gift Acceptance Policy.....Cathy Miller

MEMBERS

<i>Chuck Hunt '95, Chair</i>	<i>Jeff Johnson '85</i>	<i>Kevin Haslam (staff, non-voting)</i>
<i>Cathy Miller '83, Vice Chair</i>	<i>David Muhendorf</i>	<i>Evan Thornton '15 (staff, non-voting)</i>
<i>Larry Bowser</i>	<i>Graham Sisson '87</i>	<i>Lucy Trousedale '89</i>

Gwen Patrick '83, Staff Liaison

ARTICLE V, Section 2

The UNA Vice President for University Advancement/Executive Director and the UNA Vice President for Business and Financial Affairs/Treasurer shall serve as staff to the Committee. The Budget, Finance and Audit Committee shall submit for approval to the Board of Directors its recommendations as to an annual budget for the UNA Foundation. The Committee shall review the annual audit (in preliminary and final forms) of the Foundation prepared by the independent auditing firm then servicing the Foundation, shall present the annual audit report to the Executive Committee and the Board of Directors for approval and shall recommend to the Executive Committee and Board of Directors such other policies as it deems necessary and appropriate to assure the prudent oversight of the business and financial affairs of the Foundation. The Chair of this committee also serves as Treasurer of the Foundation Board of Directors and of the Board's Executive Committee.



**MINUTES
BUDGET, FINANCE AND AUDIT COMMITTEE
UNA FOUNDATION**

Friday, November 15, 2019; 10:00 a.m. – 11:30 a.m.

The Guillot University Center – Banquet Hall D

Present: Chair Chuck Hunt, Vice Chair Cathy Miller, Lucy Trousdale, Larry Bowser, Jeff Johnson, Evan Thornton (*Staff, non-voting*) and Foundation Executive Director Kevin Haslam.

Not Present: Graham Sisson, David Muhlendorf

Staff Liaison: Gwen Patrick

The meeting was called to order at 10:02 a.m. Chair Hunt recognized and welcomed new committee members Larry Bowser, Jeff Johnson and Graham Sisson. Appreciation was expressed to Cathy Miller for serving as Vice Chair.

Chair Hunt also expressed his appreciation to former Budget, Finance and Audit Committee Chair David Sunseri for his service and leadership.

Chair Hunt reviewed minutes from the July 18, 2019 Budget, Finance, and Audit Committee meeting. Lucy Trousdale made a motion to approve the minutes as drafted. Cathy Miller provided a second and all members voted in favor.

Gwen Patrick reviewed the unaudited Financial Statements for the Foundation as of September 30, 2019. Several of the Income and Expense budget items were discussed in detail. A discussion ensued regarding the presentation of only unrestricted income and expenses. It was requested that information be provided in the future about unrestricted and restricted activity.

Chair Hunt began a discussion concerning audit services. When the current auditor, CDPA, was hired, it was for a time period of two years with an option to continue to a third year. In March 2019, the Budget, Finance and Audit Committee voted to extend CDPA's services to a fourth year due to a timing issue with other RFP's in progress. After discussion and input from all present regarding advantages and disadvantages of requesting proposals for new auditing services, it was decided that auditing services with CDPA will continue indefinitely but another partner with the firm will review the audit upon completion.

Staff Liaison Gwen Patrick presented a draft of an Operating Reserve Policy recommended by several regulatory bodies. Discussion centered around a target minimum amount and how long the Foundation is allowed to restore the minimum once used. The Committee settled on a target minimum of three months of the budgeted expenses for each fiscal year. The minimum for Fiscal Year 20 will be \$218,537 (\$874,150 x ¼). The minimum will be recalculated each fiscal year upon approval of the Foundation budget. Requests to use

reserve funds will be made by the Executive Director of the Foundation and approved by the Executive Committee and the entire board. The Foundation will have 36 months to recover the target minimum. The current reserve of \$400,000 is held in a Certificate of Deposit at Progress Bank that will mature in April 2020. The Committee will discuss options for the use of the excess reserve at the next meeting. Lucy Trousdale made a motion to approve the policy as discussed. Cathy Miller provided a second and all members voted in favor.

The meeting adjourned at 11:15. a.m.



Effective Date:	3/15/19
Last Revised:	none
Next Review:	March 2020

Gift Acceptance Policy

Table of Contents

- I. Purpose of Policy
- II. Authority to Accept Gifts
- III. Gift Types
- IV. Policies Related to Donor-Imposed Restrictions on Gifts
- V. Unique Issues Related to Certain Types of Donors
- VI. Policies Related to Avoidance of Giving Legal and/or Tax Advice to Donors

I. Purpose of Policy

This policy governs the acceptance of gifts to the University of North Alabama Foundation (the Foundation).

- A. This Policy has been adopted by the UNA Foundation Board of Directors to describe and guide the outright and planned giving programs of the Foundation and applies to funds raised on behalf of the University. All fundraising and development activities of the University shall be conducted subject to this Policy and coordinated with the University's Advancement Office.
- B. It is the policy of the University to encourage donors to direct gifts to the UNA Foundation, rather than directly to the University, except for gifts of real property or gifts of tangible personal property that will be used by the University in a manner related to carrying out its purposes.
- C. The Vice President of Advancement, who also serves as Executive Director of the UNA Foundation, oversees the acceptance and administration of gifts to the Foundation.
- D. A gift made to the Foundation must be irrevocable.
- E. Several sections of this Policy may apply to the same gift. For example, an endowment gift may be of closely held company stock and for a restricted purpose proposed by the donor; therefore, the sections of this Policy which apply to categories of gifts (closely held stock),

classification of gifts by expendability (endowment) and donor-imposed restrictions on gifts will have to be complied with before the gift can be accepted.

The Foundation will not accept a gift subject to a contingency that, if met, would require the Foundation to distribute the gift to a specified person or other entity.

II. Authority to Accept Gifts

- A. The Executive Director of the Foundation, or designee, has authority to accept all gifts on behalf of the Foundation unless otherwise directed by the provisions of this Policy or by the Board of Directors of this Foundation.
- B. The Vice President of Advancement may authorize the acceptance of a gift of Tangible Personal Property that will be used by the University in a way related to carrying out the purpose of the University.

III. Gift Types

A. Cash

Gifts of Cash include currency, bank drafts, credit cards, checks, payroll deductions, wire transfers, and matching gifts. Cash gifts should be accepted and will be processed in accordance with internal procedures provided that any donor restrictions imposed on the gift are otherwise in compliance with this Policy.

- B. **Marketable Securities** (commonly referred to as Publicly Traded Securities) Marketable securities, including primarily stocks, bonds, exchange-traded funds (ETFs), and mutual funds deemed to be readily transferable, should be accepted and will be processed in accordance with internal procedures provided that any donor restrictions imposed on the gift are otherwise in compliance with this Policy. Proposed gifts of stock options, stock appreciation rights and restricted shares must be reviewed on a case-by-case basis prior to acceptance in order to ensure that there are no limitations on subsequent sale by the Foundation.

Marketable securities received as gifts will be sold as soon as reasonably possible after acceptance.

C. Closely-held Businesses

- 1. Closely-held Corporation Stock. Closely-held corporation stock is stock of a corporation that is privately held and not publicly traded.
 - a. Proposed gifts of closely-held stock will be evaluated on a case-by-case basis and must be approved by the Foundation Board of Directors. Such stock includes stock in corporations taxed for income tax purposes as S or C corporations. The Foundation will not accept a gift of closely-held stock under the terms of the gift or an agreement

entered into by the donor placing restrictions or other conditions on the sale or transfer of the stock of the corporation which could require the Foundation to sell the shares at a predetermined price to the corporation that issued the shares, other parties, to make contributions to capital, to honor guarantees for payment of debt of the corporation, to honor pledges of the stock as security of the debt of the corporation, donor or another entity, except in exceptional circumstances.

- b. **Analyzing Gifts of Closely-Held Corporation Stock:** In order to consider such acceptance, the donor will be required to provide certain financial information to the Foundation.
2. **Partnership and Limited Liability Company Interests.** Generally, proposed gifts of limited partnership interests and ownership interests in limited liability companies which interests are not publicly traded will be considered for acceptance. On the other hand, general partnership interests and interests in joint ventures will not likely be accepted because of liability concerns. Proposed gifts of the assets will be evaluated on a case-by-case basis before acceptance. In order to consider such acceptance, the donor will be required to provide certain financial information to the Foundation.

D. Cultural and other Tangible Personal Property

Gifts of Tangible Personal Property include art collections, antiques, jewelry, timber, airplanes, medical equipment, boats, and similar property.

1. Criteria for Acceptance:

- a. **Gifts of Tangible Personal Property will not be accepted unless all of the following conditions apply:**
 - i. The gift does not require the Foundation or the University to commit additional expense for the present or future use, repair, preservation, insurance, display, maintenance, or administration of the property.
 - ii. The gift does not commit the Foundation or the University to any financial or other burdensome obligation, either directly or indirectly.
 - iii. There is no expectation, understanding or condition that such gifts will be loaned back to the donor or the donor's designee for life or for extended periods determined by the donor.
 - iv. There is no prohibition on the Foundation or the University selling or otherwise disposing of the Tangible Personal Property.
- b. **Consideration for Specific Items of Tangible Personal Property:**
 - i. **Vehicles.** Gifts of automobiles, boats, all-terrain vehicles, will not be accepted unless exceptional circumstances apply.

E. Life Insurance

There are three ways in which life insurance can be utilized as a charitable gift to the Foundation. Those are by the donor (a) transferring an existing policy to the Foundation as owner/beneficiary (in whole or part), (b) purchasing a new policy with the Foundation as owner and beneficiary (in such instance, care must be taken to make certain the Foundation has an insurable interest under applicable state law), and (c) retaining ownership of a policy and designating the Foundation as a beneficiary or contingent beneficiary of the policy.

1. **Criteria for Acceptance:**

- a. **Whole Life Policies:** Partially Paid-up or fully paid-up policies will be accepted.
 - i. If not fully paid-up, the premium payments to maintain a whole life policy must be provided by cash donations by the donor to the Foundation, which in turn will make the premium payments to the insurance company.
 - ii. There should be no loans, collateral pledges or other encumbrances on the policy at the time of gift.
 - iii. The Foundation will be responsible for coordinating transfer of ownership and administration.
- b. **Term Policies** are not accepted by the UNA Foundation.
- c. **Universal Life and Variable Universal Life Policies:** The UNA Foundation will not accept either Universal Life or Variable Life policies.

2. **Reservation of Right to Surrender Life Insurance Policies:** The Foundation reserves the right to surrender any life insurance policy owned by it prior to the death of the insured without notice to the insured.

F. Qualified Plan and Deferred Compensation Benefits (Retirement Accounts)

1. **Criteria for Acceptance:** The Foundation shall coordinate any such gifts.
- a. **To Occur at Death of Donor:** Death benefits by virtue of Retirement Plan Beneficiary Designations (401(k), IRA, qualified pension plans, profit-sharing plans, etc.). Prospective donors must submit a new beneficiary designation form to the donor's plan administrator in order to make the Foundation beneficiary of such death benefits.
 - b. **For Living Donors – a Charitable IRA rollover or qualified charitable distribution (QCD)** is permitted.

G. Other Types of Gifts

From time to time, gifts of assets not described above may be offered to the Foundation. Such proposed gifts will be evaluated on a case-by-case basis by the Foundation Board of Directors in conjunction with the Vice President of Advancement as to whether such a proposed gift be accepted.

H. Bequest Documentation

1. Foundation representatives will ask the donor for a copy of the portion of the will or revocable trust that contains the terms of the gift in order to ensure that the terms are acceptable and consistent with this Policy.
2. It is in everyone's best interest for an Advancement Gift Officer to review the language affecting the bequest prior to the donor's death to determine the Foundation's ability to accept the commitment.

I. Acceptance of Gifts at Death of Donor

1. Foundation Officers and Employees Prohibited from Serving as Personal Representative: No employee or officer of the Foundation or University may serve as personal representative or successor trustee when the Foundation has an interest in the estate or trust unless the decedent or settler of the trust was an immediate family member (meaning a parent, spouse or child of the employee/officer).
2. Process to be Followed upon Learning of Death of Donor:
 - a. In many cases, the Foundation is not aware of a gift that takes place at the death of the donor under the donor's will or revocable trust until notice is received from the personal representative or trustee. When the Foundation becomes aware of such a gift, the affected individuals and departments will be alerted when the notice is received.
 - b. During the probate of estates and administration of revocable trusts following the death of donors, the Director of Financial & Database Services, in consultation with the Vice President of Advancement, shall represent the Foundation in all dealings with the attorney for and fiduciaries involved with the administration of the estate and/or revocable trust.
 - c. The distributions from the estate or trust may involve various categories of assets (for example, securities, real estate, or personal property) and may involve restrictions on the gifts; the appropriate portions of this Policy should be consulted to determine the acceptability of the gifts and how they should be processed.

When it is unclear whether the donor wished the contribution to be held in either an expendable or endowed fund and the donor's intentions in that regard cannot be inferred from other facts and circumstances, the Vice President of Advancement will have authority to designate.

- d. **Renunciation:** The Foundation may renounce or disclaim gifts that flow through a will or trust upon the death of a donor. Reasons for a renunciation of a gift might include concerns with regard to illiquidity, lack of marketability, holding costs, liability exposure (for example, environmental contamination), and unacceptable restrictions on the gift. It is extremely important that the Vice President of Advancement and the Director of Financial & Database Services be notified as soon as possible of a death which may result in any bequest, devise or distribution from a revocable trust after the death of a donor because there are time deadlines for effectively renouncing certain interests.

J. Other Transactions Policy: Non-deductible Gifts of Goods and Services

Donors may provide goods or services to the Foundation that do not qualify for an income tax charitable deduction. Often these goods or services are received in conjunction with auctions that benefit the Foundation. Examples:

- a. Use of Property of Facilities (for example, hotel rooms, time shares, beach houses, rounds of golf)
- b. Services (for example, massages, facials, dinners at restaurants, lessons of any type, photography services, legal services)
- c. Advertising (for example, newspapers ads, radio or magazines)

K. Life Income Gifts

The Foundation will accept life income gifts, also known as “split interest gifts”, such as Charitable Remainder Trusts or Charitable Lead Trusts. The terms of the gift should not impose a fiduciary duty on the Foundation or its Officers. The Office of Advancement should be consulted whenever a life income gift is considered as a possible gifting option. Distributions from charitable remainder trusts not trustee by the UNA Foundation and distributions from charitable lead trusts will be accepted and processed based on the type of assets distributed and restrictions, if any, applicable to the gift. For example, if the distribution is cash and the purpose of the gift is not restricted, then the distribution will be processed as any other gift of cash.

L. Charitable Gift Annuities (“CGA”)

A charitable gift annuity is established by contract between a donor and a charitable institution. The Office of Advancement is responsible for preparation of the charitable gift annuity agreement. The minimum amount for a gift annuity is \$25,000. The minimum age for the beneficiary is 50.

M. Gifts Involving Reservation of or Granting Life Estates to Individuals

A donor may by deed or will reserve a right to use designated real property for the donor's life or for the life another designated by the donor, but at the end of such life estate, provide that the University or UNA Foundation will own the real property.

1. **Criteria for Acceptance** – The same due diligence process should be followed in determining whether to accept an interest as a remainderman in real property as would be followed for any other gift of real estate – see Section P below. In addition, because the obligations of a life tenant (paying ad valorem taxes, keeping property in good repair, etc.) are substantial and if not met can create significant problems for the remainderman, before accepting a remainder interest in real property, the financial capacity of the life tenant to meet the obligations imposed on the life tenant and the mental/physical capacity of the life tenant to effectively meet these obligations (does the life tenant have a power of attorney in place?) should be considered.
2. **Agreement Setting Forth Responsibilities** – Since the law applicable to life estates varies from state to state and in some cases is less than clear as to the financial responsibility of the life tenant and the remainderman (the "Foundation"), an agreement setting forth the responsibilities of each party must be entered into in which the duties and responsibilities of each party and the remainderman in the state in which the property is located are set forth in detail.

N. Pledges

Unless otherwise agreed in writing, a pledge evidences a good faith intention to make a gift to the Foundation and may be legally binding on the donor.

O. Bargain Sale

The Office of Advancement should be involved in any consideration of any transaction in which the Foundation either purchases an asset from a donor for less than fair market value, accepts property that would require a cash payment by the Foundation, or accepts a gift of property subject to debt, such transactions sometimes being referred to as a bargain sale. Unless otherwise provided, a bargain sale gift must be approved by the Foundation Board of Directors.

P. Real Estate

The Foundation will not accept Real Estate that will create a financial or administrative burden that is not justified by its value to the Foundation. Real Estate includes real property and any improvements located on or related to that property. . The Office of Advancement will coordinate any proposed gift of real estate and no assumptions should be made with regard to whether a proposed gift will be accepted until due diligence is completed.

1. **Criteria for Acceptance** – The Office of Advancement must be consulted to discuss any proposed gift of real estate and no assumptions should be made with regard to whether a proposed gift will be accepted until the proposed gift is processed as set forth below. Such gifts may be outright gifts, bargain sales, installment sales, or part of charitable life-income plan. Since real property can be costly to maintain pending a sale proposed

gifts or devises of real estate will be carefully scrutinized before acceptance. Unless the real property, which is subject of a proposed gift, will be used by the University in a way related to carrying out its purposes, the property will be sold as soon as advantageous. If carrying costs are anticipated with respect to proposed gifts of real property prior to sale, the donor will be expected to bear those costs.

2. Procedures for Processing Gifts of Real Estate – A thorough evaluation of the condition and characteristics of any proposed gift of real property before the gift may be accepted. The Office of Advancement shall coordinate the process. The findings will be presented to the Foundation Budget, Finance and Audit Committee for approval before requesting acceptance by the Foundation Board of Directors. Typically, the donor must provide a copy of the deed evidencing the donor's ownership and copies of all documents evidencing any debt secured by the property, copies of all relevant and available information about the property including evidence of clear title, property tax records for three years immediately prior to the year in which the gift is proposed, any existing title insurance policy and evidence of zoning restrictions; a copy of the most recent appraisal and survey of the property, if available, and information concerning any environmental problems on the property including, if available, the most recent environmental assessment. The following are detailed considerations:
 - a. **Site Evaluation.** Before acceptance, the site must be thoroughly inspected by the Office of Advancement, the University Facilities Administration and Planning Office, if applicable, or by a consultant hired for this purpose. A market assessment may be obtained from a real estate agent familiar with the market in which the property is located.
 - b. **Environmental Assessment.** When appropriate, an outside technical consultant shall be engaged to complete a Phase I Environmental Site Assessment report for each property donated to the University.
 - c. **Inspection.** If the potential real property gift includes any improvements, an inspection may be required to determine the condition of the improvements and to evaluate the utility of the property and related costs.
 - d. **Indebtedness.** Accepting and holding properties subject to a mortgage could result in unrelated business income tax liability for the Foundation among other issues. On a case-by-case basis, the Foundation Board of Directors will consider any proposed gift of real property that is subject to debt of any kind including liens and mortgages.
 - e. **Costs.** The marketability of a property must be considered before a gift is accepted. The cost to hold the property for sale is important in deciding whether to accept a gift. Carrying costs may include property taxes, mortgage payments, maintenance, insurance, and association or membership fees. The donor might be asked to carry all direct expenses related to outright gifts of real estate. Any alternatives shall be discussed with the Office of Advancement. Once the

property has been accepted, but prior to sale, any taxes, insurance, and maintenance fees will either paid out of the income earned by the real estate or the donor will be asked to make a donation to the Foundation to cover such costs.

- f. **Maintenance.** No financial or other burdensome obligation or expenses shall be incurred directly or indirectly with respect to a gift of real property without the approval, in advance, of the Office of Advancement.
 - g. **Appraisal.** The donor should provide a qualified appraisal of the property in compliance with Internal Revenue Service requirements for such appraisals. In some cases, the Foundation may elect to procure an additional appraisal.
 - h. **Title Search.** In order to document clear title to the property a title search will be required, but it may take the form of a limited search in circumstances, for example, to bring the title forward from the date of a title insurance policy that the donor held on the property.
 - i. **Disposition of property.** All gifts of real property will be sold as soon as advantageous unless the real property will be used by the University in a way related to carrying out its purposes. The donor may assist in locating a buyer for the property, but property should not be accepted if the Foundation would be bound by any marketing or sales agreement with any agent or principal, nor should the buyer have signed a binding contract to sell the property prior to the transfer to the Foundation. The Foundation will seek to obtain a fair and reasonable price for the property. The deed will be by way of a special warranty deed, bargain sale deed or quitclaim deed rather than a general warranty deed.
3. **Authority to Accept Gifts of Real Estate.** Only the Foundation Board of Directors has authority to accept gifts of real property on behalf of the Foundation.

IV. Policies Related to Donor-Imposed Restrictions

A. Limitations on Purposes for Which Gifts May be Restricted by a Donor

If a gift is restricted as to the purposes for which it may be used, then it may not have:

- 1. Any unlawful restriction as to use as a defined in the *University's Nondiscrimination Policy*.
- 2. Restrictions that permit the donor to designate an individual recipient of a scholarship, award or other gift.
- 3. Restrictions related to future employment of the recipient.

4. Restrictions by the donor concerning terms of repayment or loans to students from the donated funds or their proceeds.
5. Restrictions that allow the donor to derive personal benefit from the gift.

V. Unique Issues Related to Certain Types of Donors

- A. The Foundation will accept gifts from private foundations and donor advised funds, but such gifts cannot be used to satisfy a pledge from a donor.

VI. Policies Related to Avoidance of Giving Legal and/or Tax Advice to Donors

- A. Foundation representatives shall not provide legal and/or tax advice and will advise all prospective donors in writing to seek such advice from their own counsel and professional consultants.